



Remarks For

The Hon. Steven C. Preston
Administrator
U.S. Small Business Administration

Delivered At

Delaware SBW Awards Event

May 23, 2007

Thank you, Jack. I would like to thank our distinguished guests: New Castle County Executive Chris Coons, Wilmington Mayor James Baker and Newark Mayor Vance Funk, for joining us this evening. I would also like to welcome our resource partners here tonight. Your partnership and commitment to small business is valuable to the SBA.

I would also like to thank the following four CDC's for cosponsoring this event: Chesapeake Business Finance Corporation, Delaware Community Development Corporation, DelVal Business Finance Corporation and Mid-Atlantic Business Finance Company. I thank you for your continued support of small businesses. As a matter fact, our venue tonight, the

Waterfall Banquet and Conference Center, was renovated with a SBA 504 loan and two 7(a) loans through the Delaware Community Development Corporation and Sun National Bank.

I would like to thank SBA Regional Administrator Stephanie Watkins who oversees the Delaware District Office and Delaware District Director Jayne Armstrong and her staff for helping to put this wonderful event together. No one at the SBA is harder working or more committed than Jayne - - that's good for all of us.

Congratulations to all our small business winners today. As many of you know, starting or expanding a small business isn't easy. Small business owners have to be willing to take risks others won't take. You must work around the clock if necessary. And you are not only the CEO, but the head of sales, head of finance and you do whatever else it takes. I often say, small business owners match every dollar of equity with \$10 of sweat equity.

But that's also why you're successful where others are not.

I would like to thank our lenders today for your partnership with the SBA to reach further and harder in extending capital to small businesses. Extending capital to small businesses is potentially the most enabling and impactful service that you can provide to America's entrepreneurs.

I am grateful for what you all have done on behalf of your customers, and I value our partnership in helping to serve our small business community.

Small Business Week

For more than 40 years, the SBA has recognized outstanding small business owners for their contributions to the nation's economy and for their personal achievements in the areas of disaster recovery, procurement and entrepreneurial success.

Since 1963, every President has declared National Small Business Week to formally recognize the important role of America's small business community in contributing to our success as the economic leader of the world.

Last month, President George W. Bush announced the week of April 23rd as National Small Business Week. He recognizes the tremendous contributions that small businesses make to our economy and our society, but also that the road to business ownership can be bumpy.

The President has often said that the role of government is to create and sustain an environment which allows small businesses to flourish and grow, and he has been a tireless champion on issues most important to the small businesses of our country – access to affordable health care, fair tax policy, and fair regulatory standards.

The President has proposed making health care premiums up to a certain level tax-deductible for all Americans, whether or not those are in the form of employer compensation or paid for separately by the individual. He has also supported Association Health plans. It would, once again, put everyone on the same playing field and give more affordable access to those Americans outside the system today.

The President has also made permanent tax relief a top priority. The tax relief enacted during this Administration, including the tax relief benefiting America's small businesses, is scheduled to expire over the next several years. Raising taxes on small businesses will hurt economic growth and job creation. We have to work to make these reforms lasting. Why are these policy issues so important for us to understand and be a part of?

Small Business and the Economy

Since August 2003, almost 8 million jobs have been created in our country. Our economy has now added jobs for 44 straight months. And American workers are taking home more pay with those jobs. Real after-tax income per person has risen by 10 percent – or \$2,900 for the average family– over the last 6 years.

Such growth occurs in large measure because of the perseverance and productivity of our nation's entrepreneurs. Small businesses drive our economy. They create two-thirds of the new jobs and represent half of our non-farm private GDP.

Right here in Delaware, small businesses make up over 93.1 percent of all employers. Small businesses employ almost 45 percent of Delaware's non-farm private sector workers and Delaware saw an estimated 3,300 new small firms with employees start-up in 2005.

America has an economy that regenerates, is flexible, and adapts to opportunity in large part because our entrepreneurial culture has taught us to dream, to see possibilities, and to act on these possibilities.

The spirit of entrepreneurship and small business ownership is an essential part of our nation's DNA. Small businesses drive innovation that keeps our country competitive, provide opportunity to millions of Americans who may not find it elsewhere and enable transformation in communities that need economic revitalization. We see this spirit alive and well in the winners here today.

Small business in Communities

Small businesses also have the power to drive transformation in our communities by bringing jobs and services and opportunity to places

where they have often been in short supply, and by giving ownership to people in those communities.

Let me pause for a second and talk about communities – something I talk about a lot:

- Communities are where we live
- They are where we raise our children and see their surroundings shape them
- Communities are the heart of who we are as a country
- They are for each of us.... our America
- And they are where we see the hope of a vibrant, free society become a reality....or not.

Small business owners enable the kind of transformation that can change the game for their communities. When people lack ownership they have little or no stake in their communities.

I firmly believe that ownership anchors us in what is important for our businesses, for our employees, for our communities, and for America.

And planting and cultivating the seeds of ownership can bring successful and sustainable business formation into our communities and the SBA is a partner to Americans in making that happen.

With over 73,000 small businesses in Delaware located in every community and neighborhood, developing partnerships with your community leaders is valuable.

The SBA Delaware District Office has been working to create strong partnerships within communities in Delaware. For three years now, Jayne and her staff have been awarding Delawarean communities with the Delaware Small Business Community of the Year award for their outstanding contributions to the small business community.

The Delaware Small Business Community of the Year award, which today we honor the City of Newark with, is based on how communities support small businesses. The nominees were asked to list examples of how they are assisting small business.

The City of Newark, under Mayor Vance Funk, reported 14 initiatives designed to help stimulate small business growth in the area. Among these initiatives included was the Business Start-up Grant which provides up to \$1,500 in available grant money used to cover utility expenses for eligible new businesses.

With businesses experiencing up to a potential 50-100 percent increase in electrical bills, this grant can be extremely helpful for small businesses. I would like to congratulate Newark Mayor Funk for his outstanding leadership and commitment to the small business community.

Local leadership and engagement is essential in creating and sustaining an environment that's favorable to small business.

What we do

In order to sustain small business growth in our economy and help small businesses drive transformation in our communities, it is part of SBA's mission to provide services and programs to assist small businesses along the way.

Over the years, the agency has helped many of our best known corporate icons get their starts. Intel, AOL, Outback Steakhouse, Apple, Amgen, Ben & Jerry's, Callaway Golf, Staples, Under Armour, NIKE, and FedEx all received help from one of SBA's programs.

In addition to these companies, the SBA provided financial assistance to Dogfish Head Beer, which was Delaware's first brewpub. Owner Sam Calagione also received technical assistance from Bill Pfaff, director of the Sussex County SBDC. Sam actually started out making beers on a two burner stove in a small Manhattan apartment while he was in graduate school. Now he runs a successful company selling 18 styles of beer in more

than 20 states. Sam was also a former Delaware Young Entrepreneur Champion and the Delaware Small Business Person of the Year three years ago.

Today, the SBA continues to help entrepreneurs like Sam in numerous ways. For example:

- The SBA lends or guarantees more than \$78 billion in loans and investments. Over the last six years, SBA lending has doubled and lending to minority entrepreneurs has increased over 150%. Since the inception of the SBA Delaware District Office in 2000, the small staff has increased lending volume by 340 percent. Under the supervision of Regional Administrator Stephanie Watkins and Delaware District Director Jayne Armstrong, the Delaware district office staff has done some fantastic work. I thank you for all you have done and I support your efforts in the small business community.
- Last year, SBA and its technical assistance partners counseled over 1.5 million entrepreneurs. Also last year, the SBA website received 26 million hits.
- In the area of procurement, we work with small businesses and federal agencies to help small businesses get \$80 billion in sales to the federal government.
- Through its Office of Advocacy, SBA helps protect small business from harmful new government regulations, and through its

National Ombudsman, it helps small business deal with unfair application of existing regulations.

My Vision

As the head of a federal agency that oversees a number of large, far-reaching programs, I want to talk a bit about the importance of good management in the federal government.

Admittedly, I came to this role with a bias toward operational solutions—I came to this role 10 months ago after 24 years in the private sector. But it appears to me that when there is a problem in government, there is generally a bias toward addressing it with a new policy, a new law, or a call for burdensome oversight, when the solution may be fixing a process – that is, an operational solution.

We are addressing the many of the challenges and opportunities in the agency on the foundation of four guideposts. We need to be an agency that is:

1. Outcomes Driven
2. Customer Focused
3. Employee enabled
4. Tight Ship—efficient, accountable and transparent.

That is the basis upon which we tackled the challenges we faced in our disaster program.

In the wake of the 2005 hurricanes, the SBA was simply overwhelmed trying to respond to the demand for construction loans. When I came into the agency last summer, we had 120,000 people that were somewhere in our processes waiting for a loan, almost a year after the hurricane hit.

To accelerate the distribution of funds, we fully redesigned our workflow, we streamlined our operations and simplified our policies from a production line with inadequate coordination and communication between functions to 15 person functionally-integrated teams. We moved 1,300 staff to support this new process. Each borrower has a relationship manager who understands their issues and can advise and assist them through the process.

We contacted over 90,000 borrowers in the Gulf Coast region to reestablish those relationships. We have also instituted much tighter tracking and management of outcomes and improved our response time by almost 90 percent.

Of 160,000 applicants with approved loans from the 2005 hurricanes, 98 percent have now either received all or some of their loan money, or have

chosen not to proceed with their loans, generally because they secured funds elsewhere.

We are taking the same philosophies to apply to our lending and contracting programs. I have said it many times, we may have the greatest programs around, but if they are hard to use, if they are not responsive to our customers and partners, or if they are inefficient, it will dramatically impair their value.

I had a colleague that used to call this concept the “service around the service”. The service may be a bank guarantee. But the service around the service may be ease of use or speed of response, and often, that is just as valuable as the service itself.

We have retooled much of our management team and launched a number of initiatives around these concepts, which we simply refer to as our Reform Agenda.

Conclusion

The SBA wants you to continue to be successful, help strengthen our economy and help to better our communities, and we are here to help you along the way.

Our award winners today reflect the vitality of this country and you are

excellent roles models for other entrepreneurs in your respective field.

Thank you for the good work you do.

I would like to once again congratulate all our winners and I wish you continued success.